

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7157

BILL NUMBER: HB 1273

DATE PREPARED: Jan 23, 2002

BILL AMENDED: Jan 22, 2002

SUBJECT: Family College Savings Plan.

FISCAL ANALYST: Jim Landers

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: No Fiscal Impact

Summary of Legislation: The bill renames the Family College Savings Plan the College Choice Plan. The bill conforms definitions used in the Education Savings Program law to recent changes to the federal enabling statute. The bill also removes provisions imposing a maximum account balance and a penalty for a distribution that is not used to pay qualified higher education expenses. The bill also repeals the following: (1) several definitions; (2) a statute concerning the investment policies of the program; (3) the requirement that contributions be made in cash only; and (4) the prohibition on an account owner directing the investment of the contributions.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) The bill adopts a number of federal law provisions relating to the operation of federally qualified state tuition credit programs and education savings account plans. These changes include the following:

(1) The bill adopts the federal definition of "qualified education expenses" for which college savings plan distributions may be utilized. This definition is the same as the current state definition, except that the federal definition was recently changed to include expenses of special needs students which are necessary in connection with the student's enrollment and attendance at an institution.

(2) The bill eliminates the requirement that contributions to the education savings plan be made in cash. The bill also eliminates the prohibition on a savings account owner directing the investment of the contributions. These provisions are no longer necessary for qualification of education savings plans under federal law.

(3) The bill eliminates the requirement that the Indiana Education Savings Authority impose a penalty of

10% on the earnings portion of distributions not used exclusively for the qualified higher education expenses of the student beneficiary. New federal law imposes a 10% tax on the any distribution not used for qualified expenses of the student beneficiary.

(4) The bill adopts the federal definition of a “rollover distribution” which includes certain transfers when there is a change in beneficiary of the account as is allowed under current state statute. Adoption of federal law would expand the definition of a rollover to include one transfer per year between one education savings program to another without a change in the account beneficiary. This would include transfers between state-operated education savings plans and prepaid tuition plans; or tuition plans that may be operated by higher education institutions.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Education Savings Authority.

Local Agencies Affected:

Information Sources: